

June 18, 2002

**THE BOARD OF COUNTY COMMISSIONERS
DURHAM, NORTH CAROLINA**

Tuesday, June 18, 2002

9:10 A.M. Budget Worksession

MINUTES

Place: Commissioners' Room, second floor, Durham County Government Administrative Complex, 200 E. Main Street, Durham, NC

Present: Chairman MaryAnn E. Black, Vice-Chairman Ellen W. Reckhow, and Commissioners Joe W. Bowser, Philip R. Cousin Jr., and Becky M. Heron

Absent: None

Presider: Chairman Black

Agenda Adjustments

Chairman Black and Commissioner Heron added items to the agenda.

Chairman Black added the discussion of the Hillside School issue that was on the news this morning.

Chairman Black asked for clarification on what was actually decided at the last Board of County Commissioners' meeting regarding the funding for the T.O.P.S. program. When the Board had decided not to fund this program, Chairman Black did not want the funding to come from the Health Trust Fund budget. There was not enough money in the Health Trust Fund for this three-year grant program. However, Chairman Black had proposed that Health Director Brian Letourneau could fund the program from the Public Health Department budget.

To better understand what was decided at the last meeting, the Board of County Commissioners had a general discussion about the T.O.P.S. program with the County Manager, Health Director, and County Attorney Chuck Kitchen.

Vice-Chairman Reckhow said that if the program could be funded from the Public Health Department allocation, the program should be included in the Public Health budget. If the General Assembly should give the counties an additional revenue source, that funding could be used for the T.O.P.S. program if the proposed budget could not provide for it.

Commissioner Cousin stated that the Board had not decided not to fund the program, but rather to fund it with another source of money if necessary. The Public Health Department budget could fund the program.

Commissioner Bowser said that it was his understanding that the program would not be funded out of the Health Trust Fund this budget year. The T.O.P.S. program could possibly be funded if money was left when the budget was finalized. He thought that when the budget was finished, only if there was money left over would it be used to fund the program. Commissioner Bowser stated he mentioned this to the County Manager a few days ago. Nevertheless, Commissioner Bowser had no problem with the Health Department funding any program it deemed necessary with its General budget.

Chairman Black suggested that the County Manager restore some of the money that the Public Health Department removed from its budget to meet the 5% reduction requirement in order to fund the T.O.P.S. program.

County Manager Mike Ruffin recommended that the T.O.P.S. program be funded out of the General Fund.

Mr. Letourneau said that he could not find the funds in the existing budget to fund the program unless some other expenditure is dropped.

Commissioner Bowser stated for the record that this is a tight budget year. The Board should work very hard to remove any duplicated programs. He stated the opinion that there could be a reduction in property valuation and revenues next year if the property valuation is too high on this year's tax bills.

Vice-Chairman Reckhow challenged Mr. Letourneau to consider his nine vacancies in the Public Health Department budget to see if the funds could be reallocated to fund the T.O.P.S. program.

Mr. Letourneau said that would be a possibility if the County Manager would support the recommendation.

The County Commissioners examined and reviewed the Durham County proposed Public Health Department budget in detail concerning the 5% reduction request in the total budget.

Mr. Letourneau told the Commissioners he informed the staff and the school system that the T.O.P.S. program would not be funded in the next academic year. Staff was relocated in the Public Health Department.

Commissioner Bowser said the school system could operate the T.O.P.S. program.

Commissioner Bowser added to the agenda a discussion concerning two social workers that would work with the transitional movement of the residents in Northeast Durham.

Commissioner Heron wanted to talk about the Washington consultant the Commissioners have hired to lobby the Congressional members. She also wanted to discuss the Water and Sewer project with the City of Durham to find out if the project is moving forward

and what the completion time frame is. Finally, Commissioner Heron also wanted a report on the status of the interlocal agreements with the City of Durham.

Durham Technical Community College

Dr. Phail Wynn, President of Durham Technical Community College, made remarks about the budget requests that were presented to the Board of County Commissioners earlier in the budget cycle.

Dr. Wynn said the budget request for FY 2002-2003 amounted to \$2,971,154 for operating expenses and \$312,852 for capital expenditures for a total of \$3,284,006.

County Manager Ruffin recommended the same dollar amounts in the Manager's Recommended Budget for FY 2002-2003 as for the previous fiscal year. Dr. Wynn said that this has been a very difficult year for the College with respect to the impact of the state appropriation. Last fall, the college had a 12% enrollment growth. However, not only was the state allocation not received until November 2001, but then it had to be cut by 4%, which meant no enrollment growth funds for the year as well as a 4% budget cut. Fortunately, the summer semester enrollment growth increased by 15% and is expected to surge in the fall, although the college will not receive the \$1.2 million in the enrollment growth funds. Next year's expected budget would have to be cut by 8% and for the college, that is over \$1 million.

The Board of County Commissioners asked questions and made comments to which Dr. Wynn responded.

Chairman Black asked Dr. Wynn about the GED program being set up at the college and said she was pleased to hear about the new program for the younger students.

Computer Leasing Technology Replacement

Mr. Wendell Davis, Deputy County Manager, led this discussion before the Board of County Commissioners. He was assisted by Perry Dixon, Director of Information Technology.

Mr. Davis stated that the presentation was two-fold: first, to present the results of the computer leasing study requested by the County Commissioners during last year's budget deliberations and second, to present an implementation plan, which Mr. Dixon would discuss.

Several staff members participated in a study during November of last year to decide if Durham County should move into an equipment-leasing plan.

The purpose of the report was to make a comparative analysis of leasing versus purchasing computer hardware and software. The County would determine which was most cost efficient—leasing or purchasing. This information provided sufficient data to

help understand the state of our technology, namely the age of our equipment. This in turn would aid in this year's budget deliberations.

Mr. Davis gave a brief presentation on the history of personal computer technology in Durham County Government and then discussed how it stands today.

The Board of County Commissioners asked questions and made comments about the equipment-leasing plan to which Mr. Davis responded.

Vice-Chairman Reckhow asked Mr. Davis to get a clarification from Guilford and Wake Counties on whether either one has a purchase option.

Mr. Davis reviewed the details of the report for the Commissioners' information, which included the findings of the report. The staff group analyzed the cost benefits of leasing versus purchasing and also reviewed the three-year replacement schedule.

Chairman Black asked about the possibility of donating the County's out-of-date computers to nonprofit organizations, senior centers, and schools to help teach children and adults.

Mr. Davis said this was a good idea and mentioned that the Cooperative Extension Service could also put these computers to a good use. Mr. Davis then discussed the pros and cons of leasing versus purchasing and ended with a summary.

Mr. Dixon discussed the implementation plan proposed in the FY 2003 Budget.

The Commissioners asked questions and made remarks to which County Manager Ruffin and Deputy County Manager Davis responded.

Commissioner Heron asked if the Human Services Agencies could draw down money for computers and software, but Mr. Davis was unable to answer that question.

Commissioner Heron said that before agreeing to such a \$2-3 million program, the Board needs to assess the most economical way to replace the out-of-date computers. She was not willing to agree to the program until the Board had such information.

Commissioner Bowser agreed with Commissioner Heron that the Human Services Agencies need to consider their budgets as a possible funding source for computers and software. He stated that the departments need to handle this within their budgets.

The Commissioners held a lengthy discussion on the computer report.

Mr. Dixon discussed the implementation plan detailed in the FY 2003 budget.

Vice-Chairman Reckhow stated she had concerns about the report since the County is spending \$1 million a year to stay even. She wanted to give the matter more thought.

Mr. Dixon answered several questions about the report.

Vice-Chairman Reckhow said she would like to defer action on this new initiative until the General Assembly decides what it would do with the reimbursements; in short, the Board needs to be very conservative.

The computer study would be discussed again at the June 19, 2002 Worksession.

City County Planning Department

Mr. Frank Duke, City-County Planning Director, discussed the City Council's changes to the Planning Department budget and reviewed the budget summary for the Board.

At its meeting last night, the City Council added \$30,000 to its budget for the cellular tower siting master plan. The City-County Planning Committee recommended the additional \$30,000 to permit the moratorium to stay in place. The City and County Attorneys said this item must be added to the budget to allow the moratorium to continue. The County will have to add the same amount in order to move forward with that contract.

Vice-Chairman Reckhow suggested that the \$30,000 be added to Durham County's budget so the consultant could be employed at a cost of \$60,000 to perform this trend-back study.

The Commissioner had a lengthy discussion about the study.

Chairman Black asked Mr. Duke to work out a plan that would help both the City Council and County Commissioners to work closer together concerning rezoning issues.

Finance Department

Mr. George K. Quick, Finance Director, made a presentation to the Board about the County's Fund Balance. He was assisted by Deputy Finance Director Susan Fox-Kirk.

Mr. Quick's statement to the Board was as follows:

I have been requested to provide you with a projected year-end Fund Balance report for the General Fund (the County's "100" funds, CAFR level). The Fund Balance, more particularly the unreserved portion is considered the working capital for financial operations of the County. It is this level that provides the bridge between the receipt of revenues and the spending of those revenues. It is the cushion that allows the County to absorb unanticipated reductions in revenues or supports increased expenditures when there is no substantial increase in the revenues as the

funding source. It is the primary factor used to establish and evaluate the financial viability of the County.

In order to project the year-end balance, we have looked at all the accounts that affect the Fund Balance and estimated their balance at yearend. The projections assume the receipt of all State funds except the Inventory Tax Exclusion. This is because of the State's response that these monies "will more likely than not" (probably) not be remitted to the local governments. I would like to emphasize that these are projections based on historical data and current trends. We have tried to be conservative in these estimates without being too cautious.

Our projections indicate a decline in the unreserved portion of Fund Balance of \$3,495,595 for FY 2002 (\$24,015,487) when compared to FY 2001 (\$27,511,082). This decline reduces our unreserved Fund Balance from 10.92% for FY 2001 to 9.34% for projected FY 2002. The primary reasons for this decline are as follows:

Withholding of Inventory Tax Exclusion (Reimbursements)	\$3,166,000
Increase in Transfers to other funds	\$1,100,000
Projected reduction in Intangibles	\$ 200,000
Estimated decline in Investment Income	\$1,233,000
Estimated decrease in sales tax	<u>\$1,272,000</u>
TOTAL	\$6,971,000

All of the items listed above that are a withholding or reduction of revenues are beyond the control of the County and have a material effect on our Fund Balance because of their size in proportion to our unreserved Fund Balance. This reduction of the unreserved Fund Balance (numerator in the formula for calculating the LGC percentage), combined with the increasing of expenditures (denominator in the formula for calculating the LGC percentage) is the reason our percentage has dropped 1.58%. While our Fund Balance has appeared to be adequate in the past (adequacy is defined by the cushion above 8%), the impact of the above raises concern. As such, it would appear that consideration in this budget or further budgets needs to be given to growing our Fund Balance.

The Undesignated portion of the Unreserved Fund Balance is also down when compared to FY 2001. That balance is down \$7,987,982 (or 53.5%) compared to the FY 2001 balance of \$14,937,310 (FY 2002 \$6,949,328). This decline has been influenced by the following factors in addition to those listed above:

Estimated increase in Mental Health Fund Balance	\$3,557,204
Estimated increase in Reserve for Risk Management	\$ 591,185

Estimated increase in designated for subsequent years (the fund balance appropriated to balance the FY 2003 budget)	\$ 857,574
Estimated decrease in designated for debt service	<u>(\$ 513,576)</u>
TOTAL	\$4,492,387

While there is nothing we can do at this point to increase the overall (total) Fund Balance, we can make some adjustments to increase the Undesignated portion of the Fund Balance. During the second quarter of this fiscal year Risk Management obtained recommendation from Deloitte & Touche to determine an adequate level of reserves needed based on current liability levels (actuarial study). The recommendation by Deloitte & Touche confirmed the adequacy of the current reserve for risk management as of July 1, 2001 (\$2,371,163). This number is at the high end of the recommendation. As such, it is recommended that all funds in excess of this level be transferred to Undesignated.

It is also recommended that 28% (or \$996,017) of the increase in the Mental Health Fund Balance be transferred to Undesignated. This amount reflects the County's share of this growth or unused funds.

These changes would allow the Undesignated Fund Balance to grow by \$1,587,202 to \$8,536,530.

The County Commissioners had a lengthy discussion on the fund balance and other financial matters concerning the financial picture of Durham County.

The Board expressed concerns about the fund balance. Chairman Black commented that all of the Commissioners wanted the fund balance to be increased. Chairman Black remarked that Mr. Quick would be bringing a fund balance policy to the Board at a later date in a worksession.

Vice-Chairman Reckhow moved, seconded by Commissioner Bowser, that the Board endorse the reallocation of funds to increase the undesignated portion of the unreserved Fund Balance as recommended by the Finance Director.

Vice-Chairman Reckhow said the exact amount to be reallocated would be 28% of the Mental Health Fund Balance and the excess from the Reserve for Risk Management, but the exact amount could change.

The motion carried unanimously.

Chairman Black asked County Attorney Chuck Kitchen to look into the possibility of charging back to The Durham Center budget for the services that the Legal Department has provided The Durham Center.

Attorney Kitchen said he has already researched the matter for Chairman Black. The entire fee cannot be charged back due to the 28% that has already been charged back. However, 72% of the legal fees could be charged back.

Capital Improvement Program for FY 2003

County Manager Mike Ruffin said the Commissioners should focus on what the Board approved last August for FY 2003. Mr. Ruffin posed an alternative for the Commissioners' consideration that would help save on the proposed tax rate increase.

Ms. Pam Meyer, Budget Director, presented to the Board the following tables for review:

2002-03 Manager's Recommended Funding for the Approved Capital Improvement Plan

County Contribution

New Justice Center	\$2,990,835
New Justice Center Parking	\$655,500
Open Space Land Acquisition	\$300,000
DTCC-Campus Access Improvements	\$160,000
DTCC-Student Services Building	\$240,000
Total	\$4,346,335

Debt Service Payments

Public Improvement, Series 2002A (2/3)	\$1,119,042
Public Improvement, Series 2002B (GO)	\$4,390,923

While debt service payments are also occurring for debt incurred previous to 2002, the debt payments shown above for the 2002-03 fiscal year represent projects approved as part of the 2001-02 Capital Improvement Plan.

2002 Two Thirds GO Bonds

Judicial Building Renovation	\$605,142
Animal Shelter Renovation	\$1,623,402
EMS-Lebanon Purchase	\$227,724
Agriculture Bldg. Renovations	\$418,875
Human Services Complex	\$2,915,485
North Regional Branch	\$4,905,807
Stanford L. Warren Branch	\$136,159
Total	\$10,832,594

2002 Voter Approved GO Bonds

EMS-Relocation of LCHC	\$1,146,000
Senior Center	\$5,500,000
Durham Public Schools	\$51,776,084
East Regional Branch	\$6,708,909
South Regional Branch	\$1,050,000
Southwest Branch	\$400,000
North Regional Branch	\$1,000,000
Stanford L. Warren Branch	\$1,016,748
NC Museum of Life & Science BioQuest	\$5,785,487
Total	\$74,383,228

Approximately \$68.4 million of the voter approved \$74.3 million in GO Bonds was issued in 2002, with the final \$6.9 million to be issued in 2004. This decreased the debt service payment for these GO Bonds by approximately \$500,000 for fiscal year 2002-03.

Fiscal Years 2003-06 Manager's Recommended Funding for the
 Approved Capital Improvement Plan

The following tables show projects and funding sources planned through 2006.

County Contribution

Project	2003-04	2004-05	2005-06	Grand Total
New Justice Center	\$2,884,539	\$0	\$7,280,000	\$10,164,539
New Justice Center Parking	\$1,333,400	\$0	\$0	\$1,333,400
Open Space Land Acquisition	\$0	\$300,000	\$300,000	\$600,000
Water Extensions	\$0	\$728,096	\$0	\$728,096
"One Stop Shopping"-Inspections & Planning	\$0	\$0	\$483,333	\$483,333
DTCC-Campus Access Improvements	\$420,000	\$420,000	\$0	\$840,000
Total	\$4,637,939	\$1,448,096	\$8,063,333	\$14,149,368

Two Thirds GO Bonds

Project	2003-04	2004-05	2005-06	Grand Total
New Youth Home	\$4,974,230	\$0	\$0	\$4,974,230
DTCC-Student Services Bldg	\$2,760,000	\$0	\$0	\$2,760,000
Total	\$7,734,230	\$0	\$0	\$7,734,230

Voter Approved GO Bonds

Project	2003-04	2004-05	2005-06	Grand Total
New Justice Center	\$28,540,528	\$0	\$21,707,044	\$50,247,572
New Justice Center Parking	\$10,703,419	\$0	\$0	\$10,703,419
Judicial Building Renovation	\$0	\$0	\$9,779,560	\$9,779,560
Open Space Land Acquisition	\$1,500,000	\$0	\$0	\$1,500,000
DTCC-Newton Bldg Expansion	\$4,000,000	\$0	\$0	\$4,000,000
Durham Public Schools	\$50,835,148	\$0	\$62,402,422	\$113,237,570

South Regional Branch	\$4,637,262	\$0	\$0	\$4,637,262
Southwest Branch	\$2,605,810	\$0	\$0	\$2,605,810
Total	\$102,822,167	\$0	\$93,889,026	\$196,711,193

COPS/SOB

Project	2003-04	2004-05	2005-06	Grand Total
New Justice Center Parking	\$0	\$0	\$5,585,745	\$5,585,745
American Tobacco	\$10,456,761	\$0	\$9,103,371	\$19,560,132
Human Services Complex	\$0	\$0	\$26,006,386	\$26,006,386
NC Museum of Life & Science BioQuest	\$2,850,834	\$0	\$0	\$2,850,834
Total	\$13,307,595	\$0	\$40,695,502	\$54,003,097

The Board asked questions and made comments concerning the information Ms. Meyer presented. Ms. Meyer and Mr. Ruffin responded to the questions. County Attorney Kitchen also responded to the questions.

The Commissioners had a lengthy discussion about the Capital Improvement Plan.

Alternative Funding Plan for CIP

County Manager Mike Ruffin presented the following alternative Funding Plan for the CIP:

In order to decrease the amount of property tax needed to support the CIP for fiscal 2002-03, the Manager is proposing some shifting of projects that will decrease the amount of County Contribution for 2002-03, while also increasing the amount of GO Bond funding for schools in 2003-04, and consolidating GO Bond funding for the new Justice Center in 2005-06.

County Contribution

New Justice Center	\$700,000
Open Space Land Acquisition	\$300,000
DTCC-Campus Access Improvements	\$160,000
DTCC-Student Services Bldg	\$240,000
Total	\$1,400,000

In the revised CIP recommendation, County Contribution funding for the new Justice Center will be shifted out one year, with a minimum of \$700,000 budgeted in 2002-03 for building planning. County Contribution funds have for the New Justice Center parking project also been shifted out one year to stay in line with the new Justice Center project completion. This revision decreases the amount of County Contribution funding going to the CIP for fiscal year 2002-03 by \$2,946,335, or 1.52 cents on the property tax rate.

The Commissioners asked several questions about the alternative funding plan to which County Manager Ruffin responded.

Vice-Chairman Reckhow said the Commissioners should review this plan carefully to see what could be pruned (i.e. some of these projects can be slowed down in order to save on the tax rate). She supported the alternative plan to save on the tax rate.

The Commissioners spoke in support of the alternative plan.

Health Insurance Portability and Accountability Act of 1996

Mr. Charlie Hobgood, Durham County Internal Auditor and HIPPA coordinator, made a presentation on the HIPPA federal law that guarantees health coverage when one's job changes, reduces fraud and abuse, establishes national standards, provides a patient with certain rights, cuts administrative cost, and preempts State laws unless more stringent. The law affects all health care organizations.

Penalties for noncompliance include fines of up to \$25,000 for multiple violations of the same standard in the same calendar year and fines of up to \$250,000 and/or 10 years imprisonment if there is an intent to sell, transfer, or use medical records for commercial advantage, personal gain, or malicious harm.

The current compliance deadline for the privacy rules is April 14, 2003. The transaction compliance rule is due by October 16, 2003, but the security rule compliance date has not been set.

The Durham County Departments that have budgeted funds to meet the HIPPA regulations are as follows:

Public Health Department	\$104,000
Emergency Medical Services	\$ 25,000
Legal Department	\$ 6,000

The Durham Center, Social Services, Youth Home, Criminal Justice Resource Center, Human Resources, Veterans Services, Animal Control, Office of the Sheriff, and the Detention Center would use existing funds to meet the HIPPA requirements.

The Commissioners asked questions and made remarks about HIPAA requirements to which Mr. Hobgood responded.

Security Budget for FY 2002-2003

Mr. Wendell Davis, Deputy County Manager, made a presentation to the Board concerning Countywide security for County employees and facilities.

Mr. Davis presented the following prepared statement to the Board for its review of Countywide security services.

This correspondence comes on the heels of the Board retreat several months ago where the matter of Security for County facilities was discussed given the events of 9/11. During that discussion, the Board made reference to the Security firm that was providing services at The Durham Center and the Health Department. Some Board members further suggested that we get a proposal from that firm in order to determine the cost for Countywide Security coverage.

The referenced firm was Wackenhut. In early March 2002, I contacted Wackenhut Security and requested that they work in conjunction with our General Services staff to assess all County facilities and provide us with a cost proposal for Countywide security coverage. Per our request, Wackenhut has since provided us with a Cost Proposal/Wage Plan and furthermore agreed to have us test their officers over a trial period, at cost, in order to have the experience factor.

Within the Cost Proposal, Wackenhut provided us with three different cost options, which were as follows:

- Option 1—\$978,929.90
- Option 2—\$942,260.54
- Option 3—\$887,280.94

The hourly rate for Wackenhut is \$23.15 for the Company Police Officer and \$16.71 per hour for the Custom Protection Officer. Given my observations over the trial period, I believe that the Custom Protection Officer will address the County's needs. Each of the options included provides coverage for The Durham Center, the Health Department, the County Library System, the Courthouse, the County Administrative Complex and the Department of Social Services. It is important to note that Wackenhut provides a menu of Security personnel that ranges from Armed Company Police Officers to Unarmed Custom Protection Officers to Upscale Security Officers. Having received this proposal, I was asked to do the following tasks:

- Determine how much money various agencies were currently spending on Security activities; and
- Determine if the proposals were consistent with the agencies' perceptions of what their security needs were.

Mr. Davis then called on the Durham County Sheriff's Department representatives to make their proposal.

Chief Deputy Wes Crabtree presented the Durham County Sheriff's Department proposal as requested by County Manager Ruffin.

The Sheriff's Department proposal consisted of 20 deputies spread over 8 locations. The total cost for the initial year amounted to \$892,016.

The Commissioners asked questions about the proposals to which Chief Deputy Crabtree responded.

Commissioner Bowser requested that the Sheriff's Department add the total cost of the 14 facilities to provide security services. Wackenhut should increase its cost by adding into the total figure training costs, cars, communication equipment, and overtime pay.

Chairman Black wanted to know the level of support needed in each of the 14 facilities. Equal comparisons should be done on the two proposals.

Vice-Chairman Reckhow said the Board should perform a needs assessment, ranging from the most urgent on down the scale; the cost for the most urgent should be computed.

Commissioner Bowser said that an equal comparison on these two proposals could not be done due to the arrest powers that the Sheriff's Department has. Also, security guards should be stationed at the Stanford L. Warren Library.

No action was taken on the security proposals.

Budget Adjustments

Vice-Chairman Reckhow asked the staff to provide for the Commissioners a list of the budget changes that the Board has approved by tomorrow. She also requested a reconciliation of the security proposals.

Senior Center

Chairman Black said she and the County Manager had been in contact with Mayor Bell concerning the Senior Center. The City Council will meet tonight and not again until August. Therefore, the Senior Center matter needed to be addressed that today in order to get back to Mayor Bell as soon as possible. Chairman Black asked County Attorney Chuck Kitchen to go through the information that Mayor Bell was proposing as it related to the Senior Center.

The voters have already approved more than \$5 million for the construction of the Senior Center facility downtown, and the City plans to donate the necessary land. After much discussion, the Board has tried to work out the terms of the interlocal agreement. The City is requesting several things from the County, one of which has the Board's approval. If the Senior Center is sold, the City would recoup its portion of its indebtedness in the facility.

Chairman Black asked County Attorney Chuck Kitchen to discuss the legal aspects of the matter. Chairman Black said that the City wanted to include in the interlocal agreement the County's agreement regarding the homeless shelter.

Attorney Kitchen said the City wanted the interlocal agreement to reflect that the Senior Center would be used as a Senior Center for a minimum of twenty years after the project was completed. The only issue that this raised was whether or not at some point the County would want to move the Senior Center to another location. If so, the County would have to ask the City for its approval to use the current site for another purpose. And if the County decided to sell the facility, the City would either be reimbursed or it could buy the facility.

The Board of County Commissioners discussed ownership of the Senior Center.

Attorney Kitchen said the County could deed its interest in the Lyon Park property to the City and swap it for the Senior Center property, if the City wanted to. That would take care of a lot of issues.

Vice-Chairman Reckhow suggested that the Commissioners move the first proposal forward. She also suggested that the two governing bodies consider the possibility of swapping the Lyon Park property for the Senior Center property. The legal staff could draft the legal documents for the property transfer.

The Commissioners had a lengthy discussion about the Senior Center before a vote was taken.

Vice-Chairman Reckhow wanted to promote the swapping of the two land parcels because it would be the best for both the County and the City.

Commissioner Cousin moved, seconded by Vice-Chairman Reckhow, to authorize County Attorney Kitchen to negotiate on the County's behalf to swap the Lyon Park property and the Star Warehouse property with the City of Durham for the Senior Center. If the swap is not acceptable, then the County would revert back to the twenty-year option.

The motion carried unanimously.

Commissioner Heron wanted the record to reflect that she did not like the motion.

Employee Compensation Plan—2002-2003

Ms. Jackye Knight, Human Resources Director, began the presentation. Various staff members assisted.

The presentation began with remarks about the goals and objectives of the Compensation Plan as follows:

- Attract New Employees
- Retain Current Workforce
- Pay Living Wages
- Future Goals
- Other

The next session of the presentation dealt with the Costs Associated with Turnover:

- Immediately Before Leaving
- Exit Process
- Impact of Vacancy
- Recruitment
- New Employee
- Who is Impacted?

Ms. Knight also discussed the turnover costs by industry standards for the Commissioners.

Mr. Tony Noel, Human Resources Manager, talked about compensation as follows:

Considerations for Design of Compensation Plan

- Competitive Salaries
- Increase after Probationary Period
- Movement through the Range
- Salary Compensation
- Tie Increases to Performance
- Address Internal Equity Issues

Four Components of Compensation Plan Established by the Department

Heads in 1997

- Pay Plan Maintenance
- Compensation at Hire
- Movement through the Range
- Performance Bonus

The Commissioners asked questions and made comments about the compensation plan to which Mr. Noel and Ms. Knight responded.

The next session of the presentation dealt with the proposed Longevity Pay Plan.

Mr. Noel said that the Longevity Pay Plan would begin for any employee who has five years of service, if all requirements were met.

Mr. Noel then presented a summary of his remarks by discussing the 2002-2003 Compensation Recommendation as follows:

2002-2003 Compensation Recommendation

<u>Program</u>	<u># Employees Impacted</u>	<u>Cost</u>
Implementation of Benchmark Study:	647	\$ 863,927
Continuation of Pay-for Performance:	735	\$1,095,675
Proposed Enhancement: (for 6 months)	587	\$ 183,202
Phase III Of Internal Equity Study:	218	\$ 108,560
Longevity:	827	\$ 385,825
Performance Bonus: (for six months)	133	<u>\$ 133,000</u>
Total Employee Compensation Package Cost		\$2,770,189

Vice-Chairman Reckhow made comments about the Compensation Plan, requested additional information, and made several recommendations that would reduce the cost of the plan and the total budget.

Commissioner Bowser said he had no problem with the Compensation Plan the Human Resources Department prepared and that he supported it because Durham County is trying to "catch up." The County is losing good employees to other counties because of higher salaries elsewhere. Employees have been left behind salary-wise, and the County is losing employees under the current plan. Commissioner Bowser also said it was very fair to give a five-year employee longevity pay. It is a good starting point.

Commissioner Heron said she was not ready to move forward on the Compensation Plan because of the job market. She was of the opinion that this plan would catch up with the Commissioners in the next year or two.

Vice-Chairman Reckhow requested corrected total cost figures by tomorrow and an update in terms of the cuts that had been made.

Ms. Elaine Hyman, Human Resources Manager, discussed the two employee compensation plans that she manages. The first one involves paying based on performance under the Employee Performance Appraisal Program, and the second one is the Employee Bonus Program.

Ms. Hyman recommended that the Employee Bonus Program be funded for an additional six months, starting July 1, 2002 since the current program will end. A new program must be developed to award employees who meet expectations as well as exceed them.

Ms. Deborah Davidson, Benefits Manager, continued the presentation by talking about the employee benefits the County provides.

The Commissioners asked questions and made remarks about the benefits program to which Ms. Davidson responded.

In summary, Ms. Davidson recommended that the Flex dollars be increased to \$200 per pay period in 2003.

Vice-Chairman Reckhow said she was okay with the benefits package because it seems like the right thing to do. However, she emphasized how expensive the benefits program is for the County and that it is a major commitment to the employees on the part of the County.

Commissioner Cousin said he wanted the employees to know that he is in favor of the compensation package and the longevity plan the County is offering.

Commissioner Heron said the Commissioners need the real numbers, and they need to be annualized for the Compensation Plan.

The Commissioners had a lengthy discussion about the pros and cons of the compensation and longevity pay plans.

Campaign for Decent Housing

Commissioner Cousin wanted the Commissioners to discuss the request for \$42,000 in County matching funds for HOPE VI Area Case Managers.

Commissioner Bowser said the matching funds for HOPE VI Area Case Managers could be discussed tomorrow.

Meeting Schedule

Commissioner Bowser said the Board could discuss having another meeting at the worksession tomorrow.

Adjournment

Vice-Chairman Reckhow adjourned the meeting at 4:30 p.m.

Sincerely,

Garry E. Umstead, CMC
Clerk to the Board